

THE WHITE HOUSE  
WASHINGTON

January 10, 2007

Dear Madam Speaker:

I ask the Congress to consider the enclosed request for the Department of Homeland Security (DHS). The request is needed to liquidate prior-year obligations for contracts and grants made by the Transportation Security Administration. The request is fully offset by transferring unobligated balances and would not increase spending or the deficit.

The details of this request are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with his comments and observations.

Sincerely,

A handwritten signature in black ink, appearing to read "George W. Bush", is written over a rectangular stamp area.

The Honorable Nancy Pelosi  
Speaker of the House of Representatives  
Washington, D.C. 20515

Enclosure



THE DIRECTOR

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

January 8, 2007

The President  
The White House

Submitted for your consideration is a request by the Department of Homeland Security (DHS) to seek legislative authority to liquidate \$195 million in prior-year obligations for contracts and grants made by the Transportation Security Administration (TSA). This would resolve an Antideficiency Act (ADA) violation reported to you and the Congress on December 3, 2006. This proposal would not affect FY 2007 budget authority or the deficit.

The DHS request seeks authority to transfer \$195 million in unobligated balances from TSA's Aviation Security account (\$175 million) and Transportation Security Support account (\$20 million) to its Expenses account. These transfers will be used to liquidate obligations incurred against funds appropriated in fiscal years 2002 and 2003. The request is fully offset through transfers of existing unobligated balances. The request would ensure that adequate resources are available in the appropriate account to meet anticipated expenditures from existing obligations for contracts and grants.

The ADA violation was uncovered this summer as a result of manual reconciliation efforts by TSA. During the migration of TSA financial systems from the Department of Transportation to DHS in March 2003, erroneous journal voucher entries resulted in an underreporting of obligations. To date, DHS has identified no evidence that the violation was intentional. DHS Secretary Chertoff has requested the DHS Inspector General conduct a formal investigation of the violation, which is ongoing, to identify the responsible individuals, if appropriate.

Uncovering this accounting error is part of TSA's implementation of a comprehensive financial management review and corrective action plan begun over the past year. TSA has instituted a series of internal control processes to ensure data integrity and the accuracy of reported financial information. Instituting these internal controls processes will reduce the possibility of a deficiency violation recurring in the future. OMB will continue to monitor implementation of TSA's corrective action plans against agreed upon milestones and will use the President's Management Agenda scorecard system to monitor progress.

I have reviewed this proposal and am satisfied that it is necessary at this time. Therefore, I join the Secretary of DHS in recommending that you transmit the proposal to the Congress.

Sincerely,

A handwritten signature in black ink that reads "Rob Portman". The signature is written in a cursive, flowing style.

Rob Portman

Enclosure

DEPARTMENT OF HOMELAND SECURITY

Transportation Security Administration

From unobligated balances currently available to the Transportation Security Administration, not to exceed \$195,000,000 may be transferred to "Expenses", Transportation Security Administration, to liquidate obligations incurred against funds appropriated in fiscal years 2002 and 2003, notwithstanding Section 503 of Public Law 109-295.

This request would authorize the transfer of \$195 million of existing unobligated balances to liquidate obligations incurred in fiscal years 2002 and 2003. This request would ensure that adequate resources are available for existing obligations for contracts and grants for the Transportation Security Administration (TSA). The request is necessary to complete the implementation of a comprehensive corrective action plan developed by TSA to strengthen internal financial management procedures, including revising reporting and adjustment procedures, reconciliation of purchase orders to the general ledger monthly, and ensuring responsibility and accountability for each account.